

The True Cost of Fraud, Waste, and Abuse: Reinforcing Payment Integrity

Navigating the FWA Quagmire: Strategies for Upholding Integrity in
Healthcare Payment

Foreword

In the landscape of government and commercial healthcare transactions the trio of fraud, waste, and abuse (FWA) stand as formidable challengers against the integrity of payments.

FWA significantly impacts financial resources in the United States. According to the NHCAA , FWA activities combined account for 3% to 10% of the total \$2.26 trillion in healthcare spending. This equates to losses as high as \$230 billion annually.

Beyond the direct financial losses, the indirect costs are equally significant and can include:

1. Increased regulatory compliance cost
2. Higher insurance premiums and costs for consumers
3. Expenses to implement anti-FWA measures
4. Eroded public confidence in the healthcare institution
5. Decreased consumer engagement due to mistrust of the system.

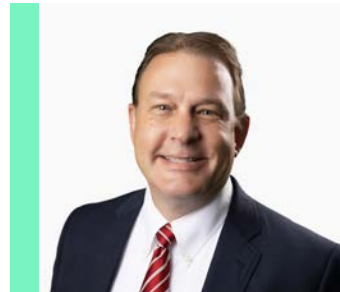
FWA can take various forms, intentional or unintentional, and can include things like billing for unrendered services using genuine patient information, upcoding to charge for more expensive procedures, performing medically unnecessary services, billing and other administrative errors due to complications in the system, outdated fee schedules, and the list goes on and on.

These intentional and unintentional errors not only waste billions of dollars but can also lead to serious risks for patients, as they may be subjected to unnecessary or even dangerous medical procedures. They also undermine public trust and inflate costs for consumers. This article delves into the cost (financial and otherwise) of these problems and explores strategies for reinforcing payment integrity to ensure payments are made accurately and fairly.



Greg Dorn

President



Mark Johnson

SVP, Product Management

Fraud, Waste, and Abuse (FWA) Core Definitions

In the healthcare arena, the term FWA is often used as a term to summarize these issues jointly, but they should not be confused as interchangeable as they are three distinct areas that can require different tactics to solve.

- Fraud involves intentional deception or misrepresentation that an individual provider or entity makes, knowing that the deception could result in some unauthorized benefit to themselves or some other person. It is a criminal act and should be aggressively prosecuted.
- Waste refers to the misuse of resources and errors in administration and billing that occur throughout the claim adjudication processes. It can also refer to sub-optimal use of assets due to inadequate processes, systems, or controls. Waste typically does not have fraudulent intent, but it does result in unnecessary costs, duplication of efforts, and rework.
- Abuse involves actions that, although not fraudulent, are inconsistent with sound fiscal, business, or medical practices, including overuse or misuse of services, resources, or practices that are not medically necessary or that do not meet professionally recognized standards for healthcare. Abusive practices can lead to unnecessary costs, improper payment, or payment for services that fail to meet professionally recognized standards.

Strategies for Reinforcing Payment Integrity in the FWA Landscape

There are many different ways payers look to combat FWA. Ensuring accuracy often requires a multi-faceted approach.

At the core of these approaches, we see five main components:

1. Appropriately Leveraging Technology
2. Enhancing Transparency
3. Regulatory Compliance Oversight
4. Promoting Sound Business Process and Collaboration
5. Fostering a Culture of Integrity

Below is a deeper dive into these core components used to reinforce accuracy:

Appropriately Leveraging Technology

In today's digital age, technology stands as the vanguard against FWA. Advanced analytics, powered by artificial intelligence (AI) and machine learning (ML), are increasingly pivotal in identifying and predicting anomalous claim patterns that may indicate some form of FWA.

Sophisticated algorithms can sift through vast datasets in real-time, flagging irregularities in behavioral patterns faster and more accurately than ever before. This predictive capacity and behavioral intelligence allows payers to be proactive, intercepting

**Predicting Behavioral Patterns
Allows Proactive Interception of
Improper Claims**

improper claims before they materialize into financial losses. Advanced analytics spotlights patterns indicative of improper payments. Determining where in the ecosystem to implement forms of FWA technologies helps payers identify improper payments before or after they are made.

Creating a payment integrity roadmap focused on data management is a great first step in increasing efficiency and effectiveness of advancing tech. There can be many different departments within a payer's infrastructure that are using various forms of anti-FWA tech and payment integrity processes and data management structures. It is good to map what every area is doing so that a complete picture of the organizations data can be developed.

This payment accuracy data management mapping process potentially identifies gaps in the tech algorithms or duplication or crossover of efforts. Each payer's structure is different, and different functions can fall within different departments, so it is a good practice to annually assess data management initiatives and technology to understand what is happening along the claim payment process.



Enhancing Transparency

Enhancing transparency in healthcare can significantly reduce FWA through various mechanisms. The road to real transparency has been a long one, and various mechanisms have started to expand the extent to which activities, decisions, and data in healthcare are open to discovery, scrutiny, and accountability. See below how specific transparency protocols can foster payment integrity and mitigate FWA:

**Transparency Builds Trust
Driving Higher Accuracy**

- 1. Billing Practice Transparency:** When healthcare providers and organizations know that their billing practices are visible to payers and subject to scrutiny, they are more likely to monitor and audit their own practices and adhere to legal and ethical standards. Transparency in billing practices creates a sense of accountability, promoting more careful and honest handling of billing and treatment decisions.
- 2. Cost, Performance, and Outcome Transparency:** When there is an open sharing of data regarding healthcare costs, provider performance, and outcomes, it is utilized by payers to identify trends, outliers, and patterns indicative of FWA. For example, if a particular provider's billing for certain procedures significantly exceeds that of its peers, it could trigger an investigation. This type of data transparency also enables the use of advanced analytics and machine learning tools to detect potential FWA more efficiently.
- 3. Empowered Patients:** By making information about the cost and quality of care readily available, patients can make more informed decisions about their healthcare. Knowledgeable patients are less likely to be subjected to unnecessary procedures (waste and abuse) and can question or report suspicious activities, acting as a deterrent to fraudulent behavior.
- 4. Enhanced Peer Review:** Transparency facilitates peer review processes within the healthcare community. When providers' practices are open to review by peers, there is a natural pressure to conform to the highest standards of care and billing practices, reducing incidents of waste and abuse.

Overall, transparency builds trust among patients, providers, payers, and regulators and encourages competition based on value and quality, not just on the ability to bill aggressively or navigate reimbursement loopholes.



Regulatory Compliance Oversight

Adhering to the myriad of rules and laws is foundational to maintaining integrity. Improved regulatory compliance and oversight make monitoring healthcare activities more efficient and effective. It simplifies compliance checks and audits, making it easier to identify and address non-compliant activities.

Regulatory agencies often use data to benchmark practices and set more precise practice guidelines. That data is available to the private sector and payment integrity organizations, who also set guidelines based on their data. Comparing data across

multiple organizations continues to get easier with advancing tech, which is leading to more detailed information on where FWA is occurring.

Strengthening regulatory oversight mechanisms using available data helps identify and address instances of FWA. Regular audits and assessments are crucial in maintaining fiscal discipline. These processes involve reviewing financial records, claim records, patient care records, and other documents to ensure that healthcare providers and organizations are following regulatory requirements. Audits can detect instances of FWA, leading to corrective actions and penalties for those involved. Continuous monitoring also acts as a deterrent, discouraging entities from engaging in FWA due to the risk of detection.

**Strong Compliance Oversight
Fosters Identification and
Methodologies to Address FWA**



Since adhering to compliance with healthcare regulations is non-negotiable, processes can be put in place to ensure policies are followed consistently, and they are effective in mitigating risks associated with FWA.

Payers must stay abreast of regulatory changes and adapt their compliance strategies accordingly. Having a robust oversight process in place is a clear signal of a payer's commitment to lawful and ethical practice, which is a cornerstone of trust in the healthcare ecosystem.

Promoting Collaboration

The ever-changing landscape of healthcare regulations requires payers to continually adapt their data mining methodologies to remain compliant. Regulatory changes can create tailwinds for payers but are often seen as headwinds for data mining processes in payment integrity for several reasons:



- 1: Public-Private Partnerships:** Collaborative efforts between the public sector, payment integrity vendors, and payers can assist in how to leverage the strengths and capabilities of all entities to combat FWA more effectively. These partnerships can facilitate the development of innovative solutions and regulatory frameworks that address the evolving nature of FWA. By sharing data on fraudulent schemes, billing anomalies, and patterns of abuse, healthcare organizations can identify and prevent similar instances of FWA in their operations. FWA information sharing also supports the development of benchmarks for billing and treatment, making it easier to spot outliers.
- 2: Coordination of Regulatory Efforts:** Regulatory agencies and healthcare organizations can collaborate to streamline compliance and oversight activities. This might include coordinating audits, sharing regulatory updates, and working together on initiatives designed to reduce the administrative burden on providers.
- 3: Fraud Prevention Task Forces and Working Groups:** Establishing joint task forces or working groups focused on FWA can facilitate cross-sector strategies to combat fraud. These groups can include representatives from healthcare providers, insurance companies, government agencies, and law enforcement, working together to develop and implement anti-fraud strategies. Working together, organizations can drive increased focus on the importance of accurate billing and documentation, which can significantly reduce opportunities for fraudulent activities.

Collaborative approaches involve providers, payers, regulatory bodies, patients, and technology partners

Fostering a Culture of Integrity

Fostering a culture of integrity within both payer and provider organizations is a fundamental strategy for mitigating Fraud, Waste, and Abuse in healthcare. A culture of integrity implies that an organization operates in a manner that values honesty, accountability, and transparency and is committed to doing the right thing, regardless of external pressures or incentives. This approach to organizational culture can significantly reduce instances of FWA through several mechanisms:

Culture is the Foundation to Ethical Practices and Monitoring for FWA.

- 1: Ethical Decision-Making:** When payer and provider organizations prioritize integrity as a cultural value, their employees are more likely to make decisions that are ethical and in compliance with regulations. This reduces the risk of engaging in or overlooking fraudulent activities in claims processing or policy administration.
- 2: Employee Empowerment:** A culture of integrity encourages staff to be vigilant and proactive in identifying and addressing signs of FWA. Employees should feel empowered and obligated to report suspicious activities, knowing that their concerns will be taken seriously and acted upon.
- 3: Compliance as a Priority:** When integrity is a core value, compliance with legal and regulatory requirements becomes a priority across organizations. This commitment to compliance helps prevent violations that lead to FWA.



Fostering a culture of integrity is a powerful deterrent against FWA, creating an environment where ethical practices are the norm and any deviation is quickly identified and addressed. This culture not only helps directly reduce instances of FWA but also builds a foundation of trust and accountability that benefits the entire healthcare ecosystem. In turn mitigating FWA, organizations protect their resources, ensuring long-term sustainability and the ability to provide high-quality care or services.

Conclusion

The true cost of FWA extends beyond mere financial metrics, affecting the very fabric of our healthcare system by undermining trust and efficiency. Tackling these challenges requires a concerted effort that combines technology, policy reform, and collaborative initiatives. By reinforcing payment integrity, we can ensure that resources are used effectively and for their intended purpose, ultimately fostering a more equitable and just system that benefits everyone.

CERIS has partnered with payers across the nation to support their payment integrity program and help them advance where they are in their journey.

Visit [CERIS.com](https://www.ceris.com) to Learn More!